Exhibit C

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 001-33668

SUPERCOM LTD.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Israel
(Jurisdiction of incorporation or organization)

3 Rothschild Street
Tel Aviv 6688106, Israel
(Address of principal executive offices)

Ordan Trabelsi, Chief Executive Officer
SuperCom Ltd.
3 Rothschild Street
Tel Aviv 6688106, Israel
+972-9-8890850 (phone); +972-9-8890820 (fax)
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

SUPERCOM LTD.
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands, except share data)

	As of December 31,	
	2021	**2020**
CURRENT ASSETS		
Cash and cash equivalents	$ 3,537	$ 3,137
Restricted bank deposit	1,067	815
Accounts receivable, net of allowance for doubtful accounts of $11,667 and $8,667 as of December 31, 2021 and 2020, respectively (Note 13)	11,061	12,427
Other current assets (Note 3)	1,599	876
Inventories, net (Note 4)	3,561	2,404
Patents held for sale	5,283	5,283
TOTAL CURRENT ASSETS	26,108	24,942
LONG-TERM ASSETS		
Severance pay funds	487	531
Deferred tax long term	202	204
Property and equipment, net (Note 5)	1,804	1,371
Other Intangible assets, net (Note 6)	5,610	6,270
Goodwill	7,026	7,026
Operating lease right-of-use asset	882	-
TOTAL LONG-TERM ASSETS	16,011	15,402
TOTAL ASSETS	42,119	40,344
CURRENT LIABILITIES		
Short-term loans and other	207	7,204
Accounts payable	1,395	2,860
Employees and payroll accruals	2,119	2,627
Related parties (Note 11.c)	172	1,749
Accrued expenses and other liabilities (Note 7)	1,559	4,393
Deferred revenues	151	765
TOTAL CURRENT LIABILITIES	5,603	19,598
LONG-TERM LIABILITIES		
Long-term loan (Note 1c)	30,451	14,952
Deferred revenues	49	49
Deferred tax liability LT	170	170
Accrued severance pay	529	656
Operating lease liabilities	925	-
TOTAL LONG TERM LIABILITIES	32,124	15,827
TOTAL LIABILITIES	37,727	35,425
Commitments and contingent liabilities (Note 8)		
SHAREHOLDERS' EQUITY (Note 10)		
Ordinary shares, NIS 0.25 par value - authorized 48,000,000 shares, 28,239.372 shares issued and outstanding at December 31, 2021 and 19,998.745 shares issued and outstanding at December 31, 2020	2,028	1,397
Additional paid-in capital	97,833	88,853
Accumulated deficit	(95,469)	(85,331)
Total shareholders' equity	$ 4,392	$ 4,919

Total liabilities and shareholders' equity	42,119	40,344

The accompanying notes are an integral part of the consolidated financial statements.

SUPERCOM LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(U.S. dollars in thousands, except share and per share data)

	Year Ended December 31, 2021	2020
Revenues		
Products	4,475	4,528
Services	7,792	7,242
Total revenues	12,267	11,770
Cost of revenues		
Cost of products	1,935	2,178
Cost of services	4,128	4,011
Total cost of revenues	6,063	6,189
Gross profit	6,204	5,581
Operating expenses:		
Research and development	2,763	2,386
Sales and marketing	1,655	1,721
General and administrative	4,149	4,074
Other expense, net	4,374	1,149
Total operating expenses	12,941	9,330
Operating loss	(6,737)	(3,749)
Financial expenses, net	(3,396)	(4,113)
Loss before income taxes	(10,133)	(7,862)
Income tax expense	(5)	(5)
Net loss	$ (10,138)	$ (7,867)
Net loss per share:		
Basic and Diluted	$ (0.39)	$ (0.45)
Shares used in calculation of net income per share:		
Basic and Diluted	26,198,102	17,386,369

The accompanying notes are an integral part of the consolidated financial statements.

SUPERCOM LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. dollars in thousands, except share data)

	Ordinary Shares				
	Number of Shares	Share Capital	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance as of December 31, 2019	16,214,228	1,116	84,680	(77,464)	8,332
Exercise of options and Convertible loans	1,414,517	109	1,248	-	1,357
Stock based compensation	-	-	211	-	211
Share Issuance	2,370,000	172	2,772	-	2,944
Cancellation of Receivable on share purchase	-	-	(58)	-	(58)
Net loss	-	-	-	(7,867)	(7,867)
Balance as of December 31, 2020	19,998,745	1,397	88,853	(85,331)	4,919
Exercise of options and Convertible loans	8,240,627	631	8,949	-	9,580
Stock based compensation	-	-	31	-	31
Net loss	-	-	-	(10,138)	(10,138)
Balance as of December 31, 2021	28,239,372	2,028	97,833	(95,469)	4,392

The accompanying notes are an integral part of the consolidated financial statements.

SUPERCOM LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Year Ended December 31,	
	2021	**2020**
CASH FLOWS - OPERATING ACTIVITIES		
Net loss	(10,138)	(7,867)
Adjustments to reconcile net income to net cash from operations:		
Depreciation and amortization	2,228	2,720
Stock-based compensation	31	211
Decrease (increase) in deferred tax	2	384
Decrease (increase) in accounts receivables, net	1,366	620
Decrease (increase) in other current assets	(723)	177
Decrease in inventories, net	(1,157)	242
Increase (decrease) in accounts payables	(1,465)	(681)
Increase(decrease) in employees and payroll accruals	(508)	(602)
Decrease in accrued severance pay	(127)	76
Increase (decrease) in accrued expenses and other liabilities, related parties & liability for earn out	1,078	(1,794)
Net cash used in operating activities	(9,413)	(6,514)
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of property and equipment	(947)	(812)
Capitalization of software development costs	(736)	(590)
Increase in severance pay fund	44	(169)
Net cash used in investing activities	(1,639)	(1,571)
CASH FLOWS - FINANCING ACTIVITIES		
Related parties	(1,577)	(939)
Long-term debt, net	5,680	7,523
Receivable on account of share purchase	-	(58)
Capital investment	-	2,945
Proceeds from exercise of options and warrants, net	7,601	1,356
Net cash provided by (used in) financing activities	11,704	10,827
Increase in cash, cash equivalents, and restricted cash	652	2,742
Cash, cash equivalents, and restricted cash - beginning of year	3,952	1,210
Cash, cash equivalents, and restricted cash - end of year	4,604	3,952

The accompanying notes are an integral part of the consolidated financial statements.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except per share data)

NOTE 1: GENERAL

a. SuperCom Ltd. (the "Company") is an Israeli resident company organized in 1988 in Israel. On January 24, 2013 the Company changed its name back to SuperCom Ltd, its original name, from Vuance Ltd. On September 12, 2013, the Company's ordinary shares were approved for listing on the NASDAQ Capital Market and began trading under the ticker symbol "SPCB" on September 17, 2013. Previously, the Company's ordinary shares traded on the OTCQB® electronic quotation service.

The Company is a global provider of traditional and digital identity solutions, providing advanced safety, identification, tracking and security products to governments and organizations, both private and public, throughout the world. The Company provides cutting edge real-time positioning, tracking, monitoring and verification solutions enabled by its RFID &Mobile pure security advanced solutions suite of products and technologies, all connected to a web-based, secure, proprietary, interactive and user-friendly interface. The Company offers a wide range of solutions including, national ID registries, e-passports, biometric visas, automated fingerprint identification systems, digitized driver's licenses, and electronic voter registration and election management using the common platform ("MAGNA"). The Company sells its products through marketing offices in the U.S, and Israel.

b. In December 2019, a new strain of coronavirus ("COVID-19") was reported to have surfaced in Wuhan, Hubei Province, China. During February until November of 2020, COVID-19 has spread globally, including in Israel, Asia, Europe, and America. In response to the COVID-19 virus, countries have taken different measures in relation to prevention and containment including lock-down and quarantine. The COVID-19 virus continues to impact worldwide economic activity and pose the risk that we or our employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for an indefinite period of time, including due to lockdowns that had been mandated by governmental authorities or otherwise elected by companies as a preventive measure.

During 2021, The company's business, trading and operations were impacted materially by COVID-19. COVID-19 related imposed government restrictions in California, Israel and other geographies limited our ability to interact with our clients to provide full services as well as adding new clients to our monitoring programs given court systems shutdown. During most of the year 2021, the government imposed lockdowns and travel restrictions also hindered proper project deployment, productions, support, sales and R&D processes: (i) had prevented our sales teams to meet customers and demonstrate our products, (ii) had prevented our support teams to travel and visit customers in order to provide the adequate support and upgrades to our products (iii) had prevented our customers to complete tenders, purchases, (iv) had prevented proper collection of our client debt due to travel limitation or liquidity problems with our customers, (v) had prevented our customers and partners to complete the integrations and deployments of the Company current contacts. As the Company relies on manufacturers of components of our products in Far East, Israel, and USA, some of such components had not produced and/or shipped to the Company or to its customers.

COVID-19 continuous spread and protective measures taken by the authorities may continue to adversely affect our future results of operations, cash flows and financial condition.

c. *Liquidity Analysis*

The Company has experienced net losses and significant cash outflows from cash used in operating activities over the past 3 years. As of and for the year ended December 31, 2021, the Company had an accumulated deficit of $95,469, and net cash used in operating activities of $9,413 compared to $6,514 for the year ended December 31, 2020, also due to an increased investment in inventory and reduction in old account payables.

Management has evaluated the significance of the conditions described above in relation to the Company's ability to meet its obligations and noted that as of December 31, 2021, the Company had cash, cash equivalent and restricted cash of $4,604 and positive working capital of $20,505.

Further, during 2020, the Company underwent a cost optimization process to have a more efficient structure to operate through the Covid-19 imposed lockdowns, travel limitations and other related effects. During the optimization process,

the Company has reduced its expenses through the reduction in its headcount and overhead costs that resulted in a reduction of operating expenses by 36%, between the years 2020 and 2019. During the year 2021 the Company maintained the efficient cost structure achieved during 2020, with similar operation expenses except for an increase of 15% in R&D expense.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 1: GENERAL (cont.)

Additionally, the Company secured financing of $20,000 during 2018, of which, $6,000 remains available to the Company to draw during the 12 months following the balance sheet date, under certain conditions. Throughout 2021, the Company also secured through the issuance of multiple notes, aggregate gross proceeds of $12,000 of subordinated debt ("Subordinated Debt"). The Company raised a gross amount of approximately $3,200 in a private placement in July 2020. To date, the Company has used the proceeds from the secured financing, subordinated debt and private placement (i) to satisfy certain indebtedness; and (ii) for general corporate purposes and (iii) working capital needs for multiple new government customer contracts with significant positive cash flow.

On March 1, 2022, the Company raised $4.65 million in a registered direct offering with a single accredited institutional investor of an aggregate of 3,130,000 of its ordinary shares, and 4,401,585 pre-funded warrants to purchase ordinary shares with an exercise price of $0.00001 per share, and concurrent private placement to the Purchaser of the Company's private warrants to purchase an aggregate of 5,648,689 or ordinary shares at an exercise price of $0.70 per share.

Furthermore, the available $6 million secured credit facility from Fortress Investment Group may provide the Company additional access to capital if needed.

The Company believes that based on the above-mentioned secured financings, management's plans, maintaining the cost savings and expected cash streams from the Company's current contracts with customers worldwide, it will be able to fund its operations for at least the next 12 months.

d. *Senior Secured Credit Facility and Subordinated Debt*

On September 6, 2018 and October 26, 2018, through a two-stage closing process, the Company entered into a Senior Secured Credit Facility with affiliates of Fortress Investment Group LLC("Fortress") with an aggregate principal amount of up to $20,000 (the "Credit Facility"). The Initial Term Loan which finalized on October 26, 2018 has an aggregate principal of $10,000, and the Incremental Term Loan provides for up to an additional $10,000 in principal through Incremental Draws of at least $1,000 each. In 2019, a total of $4,000 gross was drawn on the Incremental Term Loan, and some of the terms of the Credit Facility were amended to support the needs of the company. The Credit Facility bears interest on the borrowed balance at a rate per annum equal to LIBOR plus an applicable margin (the "Interest Margin") dependent on the EBITDA Leverage Ratio which is calculated and reset on a quarterly basis (8.0% for an EBITDA Leverage Ratio greater than or equal to 2.50x; 7.0% for an EBITDA Leverage Ratio less than 2.50x). At the Company's election, interest is paid in cash or in-kind in the amount of 4% per annum of the Interest Margin. The balance of interest is payable in cash monthly in arrears. For amounts which remain un-borrowed, the Company incurs interest at a rate of 0.50% per annum ("Unused Fee"). From closing and until today, the Company only paid monthly interest payments. In 2023 the Company expects to start making partial monthly amortization payments towards the principal balance, with the majority of the principal to be paid via a bullet payment at the maturity date, which the company expects to be amended to December 2023.

The Credit Facility is subject to an original issue discount equal to 2.5% of any drawn amounts, and amounts repaid cannot be re-borrowed. At maturity, an end-of-term fee of 2.25% to 4.5% is owed by the Company for any amounts drawn. In connection with securing the Credit Facility, the Company incurred legal and due diligence fees, which are recorded together with the original issue discount and end-of-term fee, and amortized into interest expense over the life of the Credit Facility.

In connection with the Credit Facility, the Investor received 25,000 warrants initially and an additional 75,000 warrants for amendments (the "Credit Facility Warrants") and purchased 106,705 unregistered common shares at a share price of $1.87 from Company at a total of $200. The Credit Facility Warrants mature 7 years from the date of issuance, were set to be issued at a strike price at a premium to the then current market price.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 1: GENERAL (cont.)

In 2021, the Company secured through the issuance of an additional subordinated notes, gross proceeds of $12,000. For the consideration of $12,000 in gross proceeds, SuperCom issued a two-year unsecured, subordinated promissory note to a certain institutional investor, one in February 2021 and the other in June 2021, both with similar structures and terms. The notes have a 5% annual coupon and a built-in increase to the balance of the notes by 5% every 6 months, for any portion of the notes which has not been paid down prior to maturity. All principal and interest accrued is required to be paid in only one-bullet payment at maturity, and the company has the right to pre-pay any portion of either note at any time without a pre-payment penalty. The company has an option at its discretion only, at any time after 12 months to pay down all or a portion of either note using its ordinary shares, subject to certain conditions being met. The Company converted the remaining balance of the subordinated notes issued in 2020 amounted to $8.240 to the Company's ordinary shares.

As of December 31, 2021, the outstanding principal, including accrued interest, of the Credit Facility was $16,270 and the aggregate balance for these Subordinated Debt was $13,637.

The Company purchases certain services and products used by it to generate revenues in its projects and sales from several sole suppliers. Although there are only a limited number of manufacturers of those particular services and products, management believe that other suppliers could provide similar services and products on comparable terms without affecting operating results.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

a. Use of estimates:

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates. As applicable to these financial statements, the most significant estimates and assumptions include (i) Revenue Recognition; (ii) Allowance for Doubtful Accounts; (iii) Deferred Income Taxes and (iv) measurement of the fair value of intangible assets and goodwill.

b. Financial statements in U.S. dollars:

Most of the revenues of the Company are received in U.S. dollars. In addition, a substantial portion of the costs of the Company are incurred in U.S. dollars. Therefore, management believes that the dollar is the currency of the primary economic environment in which the Company operate. Thus, the functional and reporting currency of the Company is the U.S. dollar.

Transactions and balances denominated in U.S. dollars are presented at their original amounts. Monetary accounts denominated in currencies other than the dollar are re-measured into dollars in accordance with ASC No. 830, "Foreign Currency Matters". All transaction gains and losses from the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or financial expenses as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances were eliminated upon consolidation. Profits from intercompany sales, not yet realized outside the group, were also eliminated.

d. Cash and cash equivalents:

The Company considers unrestricted short-term highly liquid investments originally purchased with maturities of three months or less to be cash equivalents. The Company has not held any cash equivalents during 2021 and 2020.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

e. Restricted Cash:

Restricted cash held in interest bearing saving accounts which are used as a security for the Company's Israeli facility leasehold bank guarantee, and as a security for ongoing terms of the contracts with existing customers and commercial tenders guarantees.

f. Allowance for doubtful accounts:

The allowance for doubtful accounts is determined with respect to specific amounts the Company has determined to be doubtful of collection. In determining the allowance for doubtful accounts, the Company considers, among other things, its past experience with such customers and the information available regarding such customers.

g. Inventories:

Inventories are stated at the lower of cost or net realizable value. Inventory write-offs are mainly provided to cover risks arising from slow-moving items or technological obsolescence. Cost is determined for all types of inventory using the moving average cost method.

h. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation.

Depreciation is computed using the straight-line method, over the estimated useful lives, at the following annual rates:

	years
Computers and peripheral equipment	3
Leased Products to Customers	5
Office furniture and equipment	5 - 17
Leasehold improvements	Over the shorter of the term of the lease or the life of the asset

i. Intangible assets:

Intangible assets that are not considered to have an indefinite useful life are amortized using units of production and the straight-line basis over their estimated useful lives, as noted below. Recoverability of these assets is measured by a comparison of the carrying amount of the asset to the undiscounted future cash flows expected to be generated by the assets. If the assets are considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired assets.

Intangible assets and their useful lives are as follows:

	Useful Life (in Years)
Customers relationships & Other	Between 4.5-13 (mainly 13)
IP & Technology	Between 4-15 (mainly 15)
Capitalized software development costs	Between 4-5

As of December 31, 2021, and 2020 no impairment losses were identified.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

Acquisition-related intangible assets:

The Company accounts for its business combinations in accordance with ASC 805 "Business Combinations" and with ASC 350-20 "Goodwill and Other Intangible Assets" ("ASC 350-20"). ASC 805-10 specifies the accounting for business combinations and the criteria for recognizing and reporting intangible assets apart from goodwill.

Acquisition-related intangible assets result from the Company's acquisitions of businesses accounted for under the purchase method and consist of the value of identifiable intangible assets including developed software products, brand and patents, as well as goodwill. Goodwill is the amount by which the acquisition cost exceeds the fair values of identifiable acquired net assets on the date of purchase. Acquisition-related definite lived intangible assets are reported at cost, net of accumulated amortization.

j. Goodwill:

The Company's goodwill reflects the excess of the consideration paid or transferred including the fair value of contingent consideration over the fair values of the identifiable net assets acquired. The goodwill impairment test is performed by evaluating an initial qualitative assessment of the likelihood of impairment. If this step indicates that the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the impairment test is performed.

In step one of the impairment test, the Company compares the fair value of the reporting unit to the carrying value of the reporting unit. If the fair value of the reporting unit exceeds the carrying value of the net assets allocated to that unit, goodwill is not impaired, and no further testing is required. If the fair value is less than the carrying value of the reporting unit, then the second step of the impairment test is performed to measure the amount of the impairment.

In the second step, the reporting unit's fair value is allocated to all the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that simulates the business combination principles to derive an implied goodwill value. If the implied fair value of the reporting unit's goodwill is less than its carrying value, the difference is recorded as impairment.

For the years ended December 31, 2021 and 2020 the Company performed an annual impairment analysis and no impairment losses have been identified.

k. Impairment of long-lived assets and intangible assets:

The Company's long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

l. Long lived assets held for sale:

The company accounted for its long lived assets held for sale under ASC 360-10 ("Impairment or disposal of Long-lived Assets").

Under management decision, the patents acquired under Alvarion Ltd. and Safend Ltd. acquisitions during 2016, were not intended for internal use by the Company, and thus accounted for as Long lived assets held for sale. During 2020 and 2021, following management decision, the Company elected to enter into engagements with several brokers for the purpose of marketing and sale of those patents. Realization costs of the patents are immaterial.

For the years ended December 31, 2021 and 2020 the Company did not identify any triggers for impairment.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

m. Accrued severance pay and severance pay fund:

The liabilities of the Company for severance pay of its Israeli employees are calculated pursuant to Israel's Severance Pay Law. Employees are entitled to one month's salary for each year of employment, or portion thereof. The Company's liability for all its employees is presented under "accrued severance pay". The Company deposits on a monthly basis to severance pay funds and insurance policies. The value of these policies is presented as an asset on the Company's balance sheet.

The deposited funds include accrued income up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the Company's obligation pursuant to Israel's Severance Pay Law or labor agreements.

Severance expenses for the years ended December 31, 2021 and 2020 amounted to $385 and $304, respectively.

n. Revenue recognition:

The Company and its subsidiaries generate their revenues from the sale of products, licensing, maintenance, royalties and long term contracts (including training and installation).

Effective January 1, 2018, the Company adopted Financial Accounting Standards Board ("FASB") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 was applied using the modified retrospective method, therefore the cumulative effect of initially applying the revenue standard is recognized as an adjustment to opening retained earnings at January 1, 2018.

Upon adoption of ASC 606, the Company identified a change in the Company's revenue recognition policies related to combined license and maintenance sales, as noted within the Company's Safend contracts. Under ASC 605, revenue for these contracts was recognized over the life of the contract. In accordance with ASC 606, license revenue is recognized upon delivery while maintenance is recognized over the life of the contract. As a result of applying the new standard, the Company had recognized a cumulative effect adjustment to Retained Earnings as of January 1, 2018 in the amount of $257.

Aside from its combined license and maintenance sales, no other changes were identified to the characteristics of the Company's other revenue recognition policies, other than the enhanced disclosure regarding revenue recognition, including disclosures of revenue streams, performance obligations, variable consideration and the related judgments and estimates necessary to apply the new standard.

The Company measures revenue based upon the consideration specified in the client arrangement, and revenue is recognized when the performance obligations in the client arrangement are satisfied. A performance obligation is a promise in a contract to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as, the customer receives the benefit of the performance obligation. Under ASC 606, revenue is recognized when a customer obtains control of promised services in an amount that reflects the consideration the Company expect to receive in exchange for those services. To achieve this core principal, the Company applies the following five steps:

1) *Identify the contract with a customer*

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based

SuperCom Ltd - 1291855 - 2022

on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

2) *Identify the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

3) *Determine the transaction price*

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer.

The Company evaluates whether a significant financing component exists when the Company recognizes revenue in advance of customer payments that occur over time. For example, some of the Company contracts include payment terms greater than one year from when we transfer control of goods and services to the Company customers and the receipt of the final payment for those goods and services. If a significant financing component exists, the Company classifies a portion of the transaction price as interest income, instead of recognizing all of the transaction price as revenue. The Company does not adjust the transaction price for the effects of financing if, at contract inception, the period between the transfer of control to a customer and final payment is expected to be one year or less.

4) *Allocate the transaction price to performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, the Company must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. Contracts that contain multiple performance obligations require an allocation of the transaction price based on management's judgement.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

The Company satisfies performance obligations either over time or at a point in time. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Nature of goods and services

The following is a description of the Company's goods and services from which the Company generates revenue, as well as the nature, timing of satisfaction of performance obligations, and significant payment terms for each, as applicable:

Software Maintenance and Support Services Revenue

Software maintenance and support services contracts are sold in conjunction with the Company's software products for its e-Gov, IoT and Connectivity, and Cyber Security revenue streams. The contract terms for software maintenance and support span one to five years in length and provide customers with the rights to unspecified software product updates if and wh en available, online and telephone access to technical support personnel.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

The Company recognizes revenue from fixed-price service and maintenance contracts using the input method of accounting. Under the input method, revenue is recognized on the basis of an entity's efforts toward satisfying a performance obligation. The Company recognizes revenue from maintenance and support services provided pursuant to the time elapsed under such contracts, as that is when the performance obligation to the Company customers under such arrangements is fulfilled.

Perpetual Software License Revenue

The Company generates revenue from the sales of perpetual software licenses for its Cyber Security and e-Gov segments, including sales for its Magna_DL, Magna_VL, Magna_Passport, and Magna_ID software products. The intellectual property rights for usage of these products are transferred to the customer at the time of purchase and the software does not require implementation services, ongoing maintenance and support, or other adaptions in order to maintain utility.

In arrangements where ongoing services are not essential to the functionality of the delivered software, the Company recognizes perpetual software license revenue when the license agreement has been approved and the software has been delivered. The Company can identify each party's rights, payment terms, and commercial substance of the content. Where applicable, the Company identifies multiple performance obligations and record as revenue as the performance obligations are fulfilled based on the adjusted market assessment approach.

Annual Software License Revenue

The Company generates revenue from the sales of time-based software licenses for certain of its software products. The intellectual property rights for access to these products are transferred to the customer for contract terms of one year and the software requires ongoing maintenance, support, or other adaptions in order to maintain utility.

The Company recognizes revenue over time using the input method for its annual software licenses when ongoing services are determined to be essential to the functionality of the delivered software. The license along with the any customization services are transferred to the Company customers pursuant to the time elapsed under such contracts, as that is when the Company performance obligation to its customers under such arrangements is fulfilled.

System Design Revenue

System design revenue relate to services provided to governments and national agencies in the early stages of a new project including incumbent system data information extraction, customer interviewing and specification mapping, architecture and software design, secure credential design, project management and planning, data migration design, project operation planning, training, assimilation, and operational processes optimization for the Company's e-Gov and IoT solutions.

The Company recognizes revenue from its system design services using the input method of accounting. Under the input method, revenue is recognized on the basis of an entity's efforts or inputs toward satisfying a performance obligation. The Company recognizes revenue from system design services provided pursuant to time-and-materials based contracts as the services are performed, as that is when the Company performance obligation to its customers under such arrangements is fulfilled. Where applicable, the Company identifies multiple performance obligations and record as revenue as the performance obligations are fulfilled based on the using the expected cost plus a margin approach.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

Implementation and System Deployment Revenue

Implementation and system deployment revenue relate to services provided to governments and national agencies typically after the design stage is concluded including infrastructure setup and deployment, software and chip design development, software customizations, purchase, and deployment of hardware and necessary system components, system integration and implementation, process engineering, customer training, system quality assurance testing, load balancing and local environment optimizations, and operational system launch for the Company's e-Gov and IoT solutions.

The Company recognizes revenue from its implementation and system deployment revenue using the input method of accounting. Under the input method, revenue is recognized on the basis of an entity's efforts or inputs toward satisfying a performance obligation. The Company recognizes revenue from implementation and system deployment services provided pursuant to time-and-materials based contracts as the services are performed, as that is when the Company performance obligation to its customers under such arrangements is fulfilled. Where applicable, the Company identifies multiple performance obligations and record as revenue as the performance obligations are fulfilled based on the using the residual approach.

Procurement of Secure Document Consumables Revenue

The Company procures secure document consumables for its e-Gov government customers which are needed to issue secure documents after a project deployment is complete and a system in actively running and operational. These consumables are manufactured generally at secure printing facilities utilizing proprietary and customized designs, which the Company has developed during the project design stage, to provide multiple layers of security preventing falsification of documents. These consumables include base card stock, security laminates, holograms, passive RFID chip inlays, passport booklets, secure chip cards, and various other secure credentialing necessities.

The Company recognizes revenue on procurement of secure document consumables products when the customer has control of the product, which is determined to be at the point in time when the products are delivered. Where applicable, the Company identifies multiple performance obligations and record as revenue as the performance obligations are fulfilled based on their stated prices within the contract.

Wireless & RFID Products Revenue

The Company's wireless products include solutions for carrier wi-fi, enterprise connectivity, smart city, smart hospitality, connected campuses and connected events which enhance productivity and performance. The Company's RFID products include asset tags which provide real-time asset loss prevention, inventory management, and personnel/asset tracking and vehicle tags which provide long-range vehicle ID for parking and fleet management, access control, asset loss prevention at airports, gated communities, truck and bus terminals, employee parking lots, hospitals, industrial facilities, railroads, mines and military installations.

The Company recognizes revenue on wireless and RFID products when the customer has control of the equipment, which is determined to be at the point in time when the products are shipped. Where applicable, the Company identifies multiple performance obligations and record as revenue as the performance obligations are fulfilled based on their stated prices within the contract.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

Electronic Monitoring Services Revenue

Electronic monitoring services represent fees the Company collects through the sale or rental of its PureSecurity Suite of products, which include the PureMonitor, PureTrack, PureTag, PureCom, PureBeacon, and SCRAM devices. These devices identify, track, and monitor people or objects in real time through the Company's GPS monitoring, home monitoring, and alcohol tracking solutions.

The Company recognizes revenue on the sale of electronic monitoring products when the customer has control of the equipment, which is determined to be at the point in time when the products are shipped. For devices which are rented and for electronic monitoring services provided, the Company recognizes revenue pursuant to the time elapsed for such contracts, as that is when the Company performance obligation to its customers under such arrangements is fulfilled. The Company customers typically pay for these services based on a net rate per day per individual or on a fixed monthly rate.

Treatment Services Revenue

Treatment services revenue is an extension of the Company's electronic monitoring services. The Company provides individuals who have completed or are near the end of their sentence with the resources necessary to productively transition back into society. Through the Company daily reporting centers, we provide criminal justice programs and reentry services to help reduce recidivism which include case management, substance abuse education, vocational training, parental support, employment readiness and job placement. These activities are considered to be a bundle of services which are a part of a series of distinct services recognized over time.

The Company recognizes revenue from its treatment services using the input method of accounting. Under the input method, revenue is recognized revenue on the basis of an entity's efforts or inputs toward satisfying a performance obligation. The Company recognizes revenue from implementation and system deployment services provided pursuant to time-and-materials based contracts as the services are performed, as that is when the Company performance obligation to its customers under such arrangements is fulfilled. Where applicable, the Company identify multiple performance obligations and record as revenue as the performance obligations are fulfilled based on the using the expected cost plus a margin approach.

Professional Services Revenue

The Company offers professional services for the Company's Cyber Security software products, which includes an on-site / remote visit by a specialist technician to assist with installation, deployment and configuration.

The Company recognizes revenue from professional services upon completion of the service performed for the customer. As these services are completed during a single onsite visit, revenue is recognized at a point in time of such onsite visit.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

Disaggregation of revenue

In the following table, revenue is disaggregated by major geographic region and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments:

	Year ended December 31, 2021			
	Cyber Security	IoT	e-Gov	Total
Major geographic areas				
Africa	$ -	$ -	$ 1,586	$ 1,586
European countries	527	2,242	143	2,912
South America	1	36	-	37
United States	410	6,410	-	6,820
Israel	648	109	-	757
APAC	48	107	-	155
Total revenue	$ 1,634	$ 8,904	$ 1,729	$ 12,267
Timing of revenue recognition				
Products and services transferred over time	$ 44	$ 7,176	$ 1,428	$ 8,648
Products transferred at a point in time	1,590	1,728	301	3,619
Total revenue	$ 1,634	$ 8,904	$ 1,729	$ 12,267

	Year ended December 31, 2020			
	Cyber Security	IoT	e-Gov	Total
Major geographic areas				
Africa	$ -	$ -	$ 1,791	$ 1,791
European countries	762	2,155	120	3,037
South America	-	21	-	21
United States	544	5,312	-	5,856
Israel	677	69	-	746
APAC	220	99	-	319
Total revenue	$ 2,203	$ 7,656	$ 1,911	$ 11,770
Timing of revenue recognition				
Products and services transferred over time	$ 92	$ 6,020	$ 1,466	$ 7,578
Products transferred at a point in time	2,111	1,636	445	4,192
Total revenue	$ 2,203	$ 7,656	$ 1,911	$ 11,770

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

Transaction price allocated to the remaining performance obligations

Remaining performance obligations represent the transaction price of system deployment, service and maintenance contracts for which work has not been performed as of the period end date. As of December 31, 2021, the aggregate amount of the transaction price allocated to remaining performance totals $8.27 million. The Company expects approximately 39% of remaining performance obligations to be recognized into revenue within the next 12 months, with the remaining 61% recognized thereafter.

The Company applies the practical expedient in paragraph ASC 606-10-50-14 and do not disclose information about remaining performance obligations that have original expected durations of one-year or less. We apply the transition practical expedient in paragraph ASC 606-10-65-1(f)(3) and do not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognize that amount as revenue. Additionally, applying the practical expedient in paragraph ASC 340-40-25-4, the Company recognizes the incremental costs of obtaining contracts (i.e., commissions) as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one-year or less.

o. Research and development costs and software development costs:

Research and development costs are expensed as incurred. Software development costs eligible for capitalization are accounted for in accordance with 985-20 Software - Costs of Software to be Sold, Leased or Marketed. Capitalization of software development costs for products to be sold to third parties begins upon the establishment of technological feasibility and ceases when the product is available for general release. Amortization is calculated and provided over the estimated economic life of the software, using the greater of (i) straight-line method or if applicable (ii) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product. Amortization commences when developed software is available for general release to clients.

The estimated useful life of capitalized software development costs is 5 years.

p. Income taxes:

The Company and its subsidiaries account for income taxes in accordance with ASC Topic 740, “Income Taxes”. This Statement prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws, that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740-10, which prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements. According to ASC Topic 740-10, tax positions must meet a more-likely-than-not recognition and measurement threshold. The Company’s accounting policy is to classify interest and penalties relating to uncertain tax positions under income taxes, however the Company did not recognize such items in its fiscal 2021 and 2020 financial statements.

ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, requires a reporting entity to classify all deferred tax assets and liabilities as noncurrent in a classified balance sheet. As of December 31, 2018, the Company adopted in a retrospective method the new Income Tax guidelines, stating all deferred tax assets and liabilities need be presented as non-current in the balance sheet.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

q. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash deposits and trade receivables. The Company's trade receivables are derived from sales to customers located primarily in Eastern Europe, Africa, the United States and South America. The Company performs ongoing credit evaluations of its customers' financial condition. The allowance for doubtful accounts is determined with respect to specific debts that the Company has determined to be doubtful of collection.

Cash and cash equivalents and restricted cash deposits are deposited with major banks in Israel and the United States. Management believes that such financial institutions are financially sound and, accordingly, minimal credit risk exists with respect to these financial instruments. The Company has no significant off-balance-sheet concentration of credit risk.

r. Basic and diluted earnings per share:

Basic earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year. Diluted earnings per share are computed based on the weighted average number of ordinary shares outstanding during each year, plus the dilutive potential of stock options and warrants outstanding during the year using the treasury stock method. The numbers of potential shares from the conversion of options and warrants that have been excluded from the calculation were 2.877 million and 334,839 for the years ended December 31, 2021 and 2020, respectively

s. Fair value of financial instruments:

The Company applies ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), pursuant to which fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company.

Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

The carrying amounts of cash and cash equivalents, restricted cash, short-term bank deposits, other accounts receivable, trade payable, and other accounts payable and accrued expenses approximate their fair values due to the short-term maturities of such instruments.

The Company measures its earn-out liability at fair value (see also Note 10).

t. Accounting for stock-based compensation:

Stock-based compensation, including grants of stock options, is recognized in the consolidated statement of operations over the requisite service period as an operating expense, based on the fair value of the award on the date of grant. The fair value of stock-based compensation is estimated using an option-pricing model.

The Company elected to recognize compensation costs for awards conditioned only on continued service that have a graded vesting schedule using the straight-line method and to value the awards based on the single-option award approach.

The Company accounts for forfeitures as they occur.

u. Treasury Shares:

Treasury shares are recorded at cost and presented as a reduction of shareholders' equity.

v. Leases:

The Company adopted ASU 2016-02, Leases (“Topic 842” or “ASC 842”) on January 1, 2021, using the modified retrospective approach, by applying the new standard to all leases existing at the date of initial application. The standard requires lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability and requires leases to be classified as either an operating or a finance type lease. The standard excludes leases of intangible assets or inventory. Leases with a term of 12 months or less can be accounted for in a manner similar to the accounting for operating leases under ASC 840. The ASC 842 requires lessors to account for leases using an approach that is substantially equivalent to ASC 840 for sales-type leases, direct financing leases and operating leases.

The Company leases real estate and storage areas, which are all classified as operating leases. In addition to rent payments, the leases may require the Company to pay for insurance, maintenance, and other operating expenses.

The Company determines if an arrangement is a lease at inception. Lease classification is governed by five criteria in ASC 842-10-25-2. If any of these five criteria is met, the Company classifies the lease as a finance lease. Otherwise, the Company classifies the lease as an operating lease.

Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of the lease payments.

Operating lease expenses are recognized on a straight-line basis over the lease term. Exchange rate differences related to lease liabilities are recognized as finance income or expense. Several of the Company’s leases include options to extend the lease. For purposes of calculating lease liabilities, lease terms include options to extend the lease when it is reasonably certain that the Company will exercise such options.

SuperCom Ltd - 1291855 - 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (cont.)

The Company's ROU assets are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment" ("ASC 360"), whenever events in circumstances indicate that the carrying amount of an asset may not be recoverable.

The ASC 842 provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases with a term shorter than 12 months. This means that for those leases, the Company does not recognize ROU assets or lease liabilities but recognizes lease expenses over the lease term on a straight-line basis. The Company also elected to not separate lease and non-lease components for all of the Company's leases.

Upon adoption as of January 1, 2021, the Company recorded right-of-use leased assets and corresponding liabilities of $1200. See Note 8 for further information on leases.

w. Recent accounting pronouncements

ASU 2019-12, Income Taxes
In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this ASU simplify the accounting for income taxes, eliminates certain exceptions to the general principles in Topic 740 and clarifies certain aspects of the current guidance to improve consistent application among reporting entities. ASU 2019-12 is effective is effective for annual periods beginning after January 1, 2022 and interim periods within annual periods beginning after January 1, 2023, and early adoption was permitted. The Company is currently evaluating the effect the adoption of ASU 2019-12 will have on its consolidated financial statements.

ASU 2020-06, Debt - Debt with Conversion and Other Options,
In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity s Own Equity. ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and(2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 is effective for interim and annual periods beginning after January 1, 2024, and early adoption was permitted. The Company is currently evaluating the impact that the adoption of ASU 2020-06 will have on the Company's consolidated financial statement presentation or disclosures.

Other new pronouncements issued but not effective as of December 31, 2021 are not expected to have a material impact on the Company's consolidated financial statements.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 3: OTHER CURRENT ASSETS

	December 31, 2021	December 31, 2020
	$	$
Prepaid expenses	209	157
Advances to suppliers	323	308
Government institutions	208	124
Other	859	287
	1,599	876

NOTE 4: INVENTORIES, NET

	December 31, 2021	December 31, 2020
	$	$
Raw materials, parts and supplies	1,947	1,256
Finished products	1,614	1,148
	3,561	2,404

As of December 31, 2021 and 2020, inventory is presented net of write offs for slow inventory in the amount of approximately $3,148 and $2,129 , respectively.

NOTE 5: PROPERTY AND EQUIPMENT, NET

	December 31, 2021	December 31, 2020
	$	$
Cost:		
Computers and peripheral equipment	3,040	2,770
Office furniture and equipment	850	824
Trade Equipment	42	42
Leasehold improvements	210	196
Equipment in lease	2,534	1,898
	6,676	5,730
Accumulated depreciation:		
Computers and peripheral equipment	2,729	2,650
Office furniture and equipment	735	735
Trade Equipment	39	33
Leasehold improvements	197	196
Equipment in lease	1,172	745
	4,872	4,359
Depreciated cost	1,804	1,371

Purchasing of Equipment for the years ended December 31, 2021 and 2020, were $946 and $812, respectively.

Depreciation expenses for the years ended December 31, 2021 and 2020, were $513 and $335, respectively.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 6: OTHER INTANGIBLE ASSETS, NET

Other intangible assets consisted of the following:

	December 31, 2021			December 31, 2020		
	Carrying Amount	Accumulated Amortization	Net Book Value	Carrying Amount	Accumulated Amortization	Net Book Value
Customers relationships & Other	8,734	7,798	936	8,734	7,484	1,250
IP & Technology	7,019	4,524	2,495	7,019	3,959	3,060
Right of use	1,200	318	882	-	-	-
Capitalized software development costs	8,001	5,822	2,179	7,265	5,305	1,960
	24,954	18,462	6,492	23,018	16,748	6,270

Amortization expenses amounted to $1,396 and $2,385 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7: ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31	
	2021	2020
	$	$
Liabilities related with the Smart ID acquisition (see note 8 c1)	-	805
Accrued management services	86	125
Professional services	206	155
Facilities	136	39
Legal contingent liability	67	60
Legal service providers	28	39
Authorities	393	382
Other accrued expenses	643	2,788
	1,559	4,393

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

We do not own any real estate. We lease approximately 1,139 square meters of office and warehousing premise in Tel Aviv and Herzliya, Israel, under a new lease which started on April l 1, 2021 and expires on March 30, 2023 with an option for 24-month extension. According to the lease agreements, the monthly fee (including management fees) is approximately $35,430.

We lease approximately 1,278 square meters of office premises in California for our U.S. subsidiary, LCA Inc., which under the current lease contracts expire in 2022, with a monthly fee of approximately $24,068.

Future minimum lease commitments under non-cancelable operating leases for the years ended December 31, 2021, are as follows:

2022	$	502
2023		432
2024		103
Total operating lease payments	$	1,037

Less: imputed interest		(112)
Present value of lease Liabilities	$	925

Rent expenses amounted to $714 and $753 for the years ended December 31, 2021 and 2020, respectively.

b. Guarantees, indemnity and liens:

1. The Company and its subsidiaries issued bank guaranties in the total amount of approximately $1,067 as a part of the ongoing terms of lease contracts, contracts with existing customers and for tenders.

2. Under the Fortress Agreement, the Company recorded a fix floating charge on all of the Company's assets in favor of the Fortress, limited in amount, in order to secure long-term loan granted by them in favor of the Company.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES (cont.)

The Company is party to legal proceedings in the normal course of our business. There are no material pending legal proceedings to which the Company is a party or of which our property is subject. Although the outcome of claims and lawsuits against the Company cannot be accurately predicted, we do not believe that any of the claims and lawsuits, will have a material adverse effect on the Company business, financial condition, results of operations or cash flows for any quarterly or annual period.

NOTE 9: INCOME TAX

a. Changes in Israeli corporate tax rates:

The regular corporate tax rate in Israel in 2021and 2020 is 23%.

b. Our USA subsidiaries were subject to federal tax rate of 21% in 2020 and 2021, state tax of 8.84% in CA and 6.5% in NY, and city tax of 6.5% in NYC.

c. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax assets of the Company and its subsidiaries are as follows:

	December 31,	
	2021	2020
	$	$
Operating loss carry forwards	20,150	18,658
Reserves and allowances	4,206	2,589
Net deferred tax assets before valuation allowance	24,356	21,247
Valuation allowance	(23,797)	(21,121)
Net deferred tax assets	559	126
Deferred income taxes consist of the following:		
Domestic	19,521	16,285
Valuation allowance	(18,963)	(16,159)
Net deferred tax assets	558	126
Foreign	4,835	4,962
Valuation allowance	(4,835)	(4,962)
	-	-

As of December 31, 2021, the Company and its subsidiaries, have provided a valuation allowance of $23,797 in respect of deferred tax assets resulting from tax loss carryforwards and other temporary differences. Other tax loss carryforwards and temporary differences in the amount of $565 were not provided with valuation allowance as the Company's management currently believes that these tax assets are more likely than not to be recovered.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 9: INCOME TAX (cont.)

d. Carryforward tax losses:

As of December 31, 2021, SuperCom Ltd and its subsidiaries in Israel have accumulated losses for tax purposes of approximately $49,833, which may be carried forward and offset against taxable income in the future for an indefinite period. SuperCom Ltd. also has a capital loss of approximately $16,450, which may be carried forward and offset against capital gains for an indefinite period. Loss carryforwards in Israel are measured in NIS.

As of December 31, 2021, SuperCom' s subsidiaries in the United States have estimated total available carryforward tax losses of approximately $18,558 which expires in the years 2028 to 2037. Utilization of the U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

SuperCom Ltd has assessments which are considered as final until the tax year ended December 31, 2015.

SuperCom's subsidiaries in the United States and Israel have not received final assessments since their incorporation.

e. loss before income tax consists of the following:

	Year ended December 31,	
	2021	2020
	$	$
Domestic	(10,616)	(6,301)
Foreign	483	(1,561)
	(10,133)	(7,862)

Substantially, all tax expenses are as a result of changes in deferred taxes.

f. Reconciliation of the theoretical tax benefit to the actual tax benefit:

A reconciliation of theoretical tax expense, assuming all income is taxed at the statutory rate applicable to the income of companies in Israel, and the actual tax expense (benefit), is as follows:

	Year ended December 31,	
	2021	2020
	$	$
Loss before income tax, as reported in the consolidated statements of operations	(10,133)	(7,862)
Statutory tax rate in Israel	23%	23%
Theoretical tax benefit	(2,331)	(1,808)
Current year carryforward losses and other differences for which a valuation allowance was recorded	1,438	1,278
Changes in valuation allowance	-	48
Offset of Other non-current assets (accounted for as DTA element)	(56)	(56)
Changes in foreign currency exchange rate and other differences	788	5
Non-deductible expenses and other differences	166	538
Actual income tax expense (benefit)	5	5

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 10: SHARE CAPITAL

a. The Company's ordinary shares are quoted under the symbol "SPCB" on the NASDAQ Capital Market in the United States.

b. Shareholders' rights:

The ordinary shares confer upon the holders the right to receive notice to participate and vote in the general meetings of the Company, and the right to receive dividends, if declared.

c. Stock options:

1. In 2003, the Company adopted a stock option plan under which the Company issues stock options (the "Option Plan"). The Option Plan is intended to provide incentives to the Company's employees, officers, directors and/or consultants by providing them with the opportunity to purchase ordinary shares of the Company. Subject to the provisions of the Israeli Companies Law, the Option Plan is administered by the Compensation Committee, and is designed: (i) to comply with Section 102 of the Israeli Tax Ordinance or any provision which may amend or replace it and the rules promulgated thereunder and to enable the Company and grantees thereunder to benefit from Section 102 of the Israeli Tax Ordinance and the Commissioner's Rules; and (ii) to enable the Company to grant options and issue shares outside the context of Section 102 of the Israeli Tax Ordinance. Options granted under the Option Plan will become exercisable ratably over a period of three to five years or immediately in certain circumstances, commencing with the date of grant. The options generally expire no later than 10 years from the date of grant. Any options which are forfeited or canceled before expiration become available for future grants.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 10: SHARE CAPITAL (Cont.)

As a result of an amendment to Section 102 of the Israeli Tax Ordinance as part of the 2003 Israeli tax reform, and pursuant to an election made by the Company thereunder, capital gains derived by grantees arising from the sale of shares issued pursuant to the exercise of options granted to them under Section 102 after January 1, 2003, will generally be subject to a flat capital gains tax rate of 25%. However, as a result of this election, the Company will no longer be allowed to claim as an expense for tax purposes the amounts credited to such employees as a benefit when the related capital gains tax is payable by them, as the Company had previously been entitled to do under Section 102.

On June 27, 2007, the Compensation Committee and board of directors of the Company approved a new option plan under which the Company may grant stock options to the U.S. employees of the Company and its subsidiaries. Under this new option plan, the Company may grant both qualified (for preferential tax treatment) and non-qualified stock options. On August 15, 2007, the new option plan was approved by the shareholders of the Company at the general shareholders meeting.

In June 2013, the Option plan was extended for another period of ten years, until December 31, 2023.

During the years 2019, 2020 and 2021, the Company did not grant any option to purchase shares.

2. A summary of the Company's stock option activity and related information is as follows:

	Year ended December 31			
	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding at Beginning of year	334,839	2.31	564,197	2.64
Granted	-	-	-	-
Exercised	(44,964)	0.41	(123,545)	0.1
Canceled and forfeited	(76,000)	2.22	(105,813)	2.94
Outstanding at end of year	213,875	1.23	334,839	2.31
Exercisable at end of year	159,500	1.28	193,089	1.73

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 10: SHARE CAPITAL (Cont.)

The weighted average fair value of options granted during the year ended December 31, 2018 was $1.87 per option.

The fair value of these options was estimated on the date of grant using the Black & Scholes option pricing model. The following weighted average assumptions were used for the 2018 grants: risk-free rate of 2.89% and 3.04%, dividend yield of 0%, expected volatility factor of 238% and 240% and expected term of 6.25 years.

The expected volatility was based on the historical volatility of the Company's stock. The expected term was based on the historical experience and based on Management estimate.

Compensation expenses recognized by the Company related to its stock-based employee compensation awards were $31 and $211 for the years ended December 31, 2021 and 2020, respectively.

The following table summarizes the allocation of the stock-based compensation and warrants charge

	Year e Ended December 31,	
	2021	2020
	$	$
Cost of revenues	7	84
Research and development expenses	12	48
Selling and marketing expenses	7	77
General and administrative expenses	5	2
	31	211

The options outstanding and exercisable as of December 31, 2021, have been separated into ranges of exercise prices as follows:

	Options outstanding				Options Exercisable			
Range of exercise price	Number outstanding as of December 31, 2021	Weighted average remaining contractual life (years)	Weighted average exercise price	Aggregate intrinsic value	Number outstanding as of December 31, 2021	Weighted average remaining contractual life (years)	Weighted average exercise price	Aggregate intrinsic value
$			$	$			$	$
0.00-2.00	207,875	7.09	1.11	-	153,500	7.10	1.13	-
3.00-5.00	6,000	7.00	4.96	-	6,000	7.00	4.96	-
	213,875	7.08	1.22	-	159,500	7.10	1.27	-

The total intrinsic value of options exercised for the years ended December 31, 2021 and 2020 was $0 and $0, respectively, based on the Company's average stock price of $1.16 and $1.04, during the years ended on those dates, respectively.

U.S. dollars in thousands (except per share data)

NOTE 10: SHARE CAPITAL (Cont.)

A summary of the status of the Company's non-vested options granted to employees as of December 31, 2021 and changes during the year ended December 31, 2021 is presented below:

	Options	Weighted–average grant-date fair value
Non-vested as of December 31, 2020	141,750	1.64
Granted	-	-
Vested	(54,375)	1.07
Forfeited and canceled	(33,000)	3.52
Non-vested as of December 31, 2021	54,375	1.07

As of December 31, 2021, there was $66 of unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under the stock option plans, to be recognized over a weighted average period of approximately 0.61 years.

d. Private placements and warrants:

During 2019, the Company issued 348,132 warrants to purchase the Company ordinary shares at an exercise price of $0.76 per share.

During 2020 and 2021, the Company issued 2.38 million warrants to purchase the Company ordinary shares at an exercise price of $1.7 per share. The warrants are exercisable until July 2025.

e. Dividends:

No dividends were declared in the reported periods. In the event that cash dividends are declared in the future, such dividends will be paid in NIS. The Company does not intend to distribute cash dividends in the foreseeable future.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 11: RELATED PARTY TRANSACTIONS

a. On July 25, 2010, the board of directors of the Company elected Mrs. Tsviya Trabelsi to serve as Chairman. Mrs. Trabelsi is an officer at Sigma Wave Ltd., which is the controlling shareholder of the Company and is also the wife of the Company's chief executive officer. On May 12, 2011, the special general meeting approved a service agreement with Mrs. Trabelsi whereby she will receive a monthly fee equal to 60% of the Company's chief executive officer's monthly cost. In addition to the above consideration, the Company will bear all reasonable costs and expenses incurred by the Chairman in connection with her services and provide her with an automobile. On December 12, 2011, Mrs. Tsviya Trabelsi resigned effective immediately and the board of directors of the Company approved the appointment of Mr. Arie Trabelsi as its new Chairman, effective December 12, 2011. On December 27, 2012, the company's shareholders at a general meeting of shareholders approved the reappointment of Mrs. Trabelsi as Chairman. On May 9, 2013, the general meeting of shareholders of the Company approved the same management services compensation for Mrs. Trabelsi as those approved in May 2011.

b. Mr. Trabelsi has served as the chief executive officer of the Company since June 1, 2012 until February 21, 2021. Mr. Trabelsi is the sole director of Sigma Wave, which is the controlling shareholder of the Company. On May 9, 2013, the general meeting of shareholders of the Company approved the payment of management fees to Mr. Trabelsi of $10.6 per month plus social benefits and an annual bonus of the greater of 2% of the Company's annual net profit or 0.5% of annual revenues, but in no event greater than Mr. Trabelsi's annual salary.

c. As of December 31, 2021 and 2020, the Company accrued $103 and $391, respectively as expenses arising from related party management services.

d. On April 29, 2012, the board of directors approved the recording of a floating charge on all of the Company's assets in favor of the Mr. and Mrs. Trabelsi, unlimited in amount, in order to secure personal guarantees granted by them in favor of the Company to a bank and in order to secure loans that are given by them from time to time to the Company. As of December 31,2021, total loans were $172. These loans bear no interest and are not attached to any price index.

NOTE 12: SEGMENTS, MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION

a. Summary information about segments:

ASC 280, Segment Reporting, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer.

As part of the Company decision to switch from one technology segment, the e-government, into 3 separate technologies segments or Strategic business units; e-Gov, IoT, and Cyber Security, the Company acquired during 2016, 4 different companies with various technologies and customers base which enrich and strengthen the capacities and offering of each of the 3 segments:

e-Gov: Through the Company proprietary e-Government platforms and innovative solutions for traditional and biometrics enrollment, personalization, issuance and border control services, the Company has helped governments and national agencies design and issue secured multi-identification, or Multi-ID, documents and robust digital identity solutions to their citizens, visitors and Lands.

IoT: The Company's IoT products and solutions reliably identify, track and monitor people or objects in real time, enabling the customers to detect unauthorized movement of people, vehicles and other monitored objects.

The Company provides all-in-one field proven IoT suite, accompanied with services specifically tailored to meet the

requirements of an IoT solutions. The Company's proprietary IoT suite of hybrid hardware, connectivity and software components are the foundation of these solutions and services.

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 12: SEGMENTS, MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION (Cont.)

Cyber Security: The Company operates in the fields of cutting edge endpoint data protection guarding against corporate data loss and theft through content discovery and inspection, encryption methodologies, and comprehensive device and port control and cyber security services.

As a result, all prior period information has been recast to reflect the new segment composition.

	Year ended December 31, 2021			
	Cyber Security	IoT	e-Gov	Total
Revenues	1,634	8,904	1,729	12,267
Operating loss	400	(3,004)	(4,133)	(6,737)
Goodwill	1,075	2,229	3,722	7,026
Total Property and Equipment, net	47	1,543	214	1,804

	Year ended December 31, 2020			
	Cyber Security	IoT	e-Gov	Total
Revenues	2,203	7,656	1,911	11,770
Operating loss	581	(1,373)	(2,957)	(3,749)
Goodwill	1,075	2,229	3,722	7,026
Total Property and Equipment, net	109	1,016	246	1,371

Following is a reconciliation of the operating income (loss) of the reportable segments to the data included in the statements of operations:

	Year ended December 31,	
	2021	2020
Operating loss		
Total operating loss of reportable segments	(6,737)	(3,749)
Financial expenses, net	(3,396)	(4,113)
Loss before income taxes	(10,133)	(7,862)

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 12: SEGMENTS, MAJOR CUSTOMERS AND GEOGRAPHIC INFORMATION (Cont.)

b. Summary information about geographic areas:

The following is a summary of revenues from external customers of the continued operations within geographic areas and data regarding property and equipment, net:

	Year ended December 31,			
	2021		2020	
	Total Revenues	Property and Equipment, net	Total revenues	Property and Equipment, net
	$	$	$	$
Africa	1,586	-	1,791	-
European countries	2,912	-	3,037	-
South America	37	-	21	-
United States	6,820	47	5,856	89
Israel	757	1,757	746	1,282
APAC	155	-	319	-
	12,267	1,804	11,770	1,371

- Revenues were attributed to countries based on the customer's location.

- Property and equipment were classified based on geographic areas in which such property and equipment items are held.

c. Summary of revenues from external customers based on products and services:

	Year ended December 31,	
	2021	2020
	$	$
Raw materials and equipment	1,119	2,926
Electronic monitoring	6,393	6,019
Treatment programs	3,292	1,640
Maintenance, royalties and project management	1,463	1,185
	12,267	11,770

d. Major customer data as a percentage of total sales:

	Year ended December 31,	
	2021	2020
Customer A	-	11%
Customer B	10%	13%

SUPERCOM LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

U.S. dollars in thousands (except per share data)

NOTE 13: OTHER EXPENSE, NET

	Year ended December 31,	
	2021	2020
	$	$
Doubtful debt provision	3,000	2000
Change in liability for future earn-out	689	(59)
Other	683	(792)
Total other expense, net	4,372	1,149

Bad debt

The following is a summary of the accounts receivables allowance for doubtful accounts for the years ended December 31:

	Year ended December 31,	
	2021	2020
	$	$
Balance at beginning of period	8,667	6,667
Provision during the period	3,000	2,000
Balance at end of period	11,667	8,667

NOTE 14: FINANCIAL EXPENSES, NET

	2021	2020
	$	$
Financial expenses:		
Interest, bank charges and fees	(3,642)	(3,812)
Exchange differences, net	246	(316)
Total financial expenses	(3,396)	(4,128)
Financial income:		
Interest income	-	15
Total financial income	-	15
Total financial expenses, net	(3,396)	(4,113)

NOTE 15: Subsequent Events

a. On March 1, 2022, (the "Closing Date") the Company raised $4.65 million in a registered direct offering with a single accredited institutional investor (the "Purchaser") of an aggregate of 3,130,000 of its ordinary shares, par value NIS 0.25 per share (the "ordinary shares"), and 4,401,585 pre-funded warrants to purchase ordinary shares with an exercise price of $0.00001 per share, and concurrent private placement to the Purchaser of the Company's private warrants to purchase an aggregate of 5,648,689 or ordinary shares at an exercise price of $0.70 per share. The private warrants will be exercisable beginning on the six-month anniversary of the Closing Date and will expire five years and six months following the

Closing Date. These offerings were effected pursuant to the Securities Purchase Agreement, dated as of February 25, 2022 (the "Purchase Agreement"), with a single accredited institutional investor.

b. In February 2022, Russia launched a military invasion into Ukraine. While as of the date of issuance of this annual report there have not been material impacts associated with the military invasion, management is continuously monitoring the developments to assess potential future impacts

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SUPERCOM LTD.

By: /s/ *Ordan Trabelsi*
Name: Ordan Trabelsi
Title: Chief Executive Officer

Dated: April 4, 2022